

**COUNTY OF MARQUETTE, MICHIGAN
FEDERAL FINANCIAL ASSISTANCE
For the Year Ended December 31, 2004**

TABLE OF CONTENTS

Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	3
Report on Compliance with Requirements Applicable to each Major Program and Internal Control Over compliance in Accordance with OMB Circular A-133	5
Schedule of Expenditures of Federal Awards	7
Notes to Schedule of Expenditures of Federal Awards.....	9
Schedule of Findings and Questioned Costs	10
Schedule of Prior Year Findings and Questioned Costs.....	12



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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Honorable Chairperson and Members
of the Board of Commissioners
County of Marquette, Michigan 49855

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Marquette, Michigan as of and for the year ended December 31, 2004, which collectively comprise the County of Marquette, Michigan's basic financial statements and have issued our report thereon dated April 22, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County of Marquette, Michigan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the County of Marquette, Michigan's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as item 04-2.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above is a material weakness.

To the Honorable Chairperson and Members
of the Board of Commissioners
County of Marquette, Michigan 49855

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County of Marquette, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 04-1.

This report is intended solely for the information and use of the audit committee, management, others within the organization, County Commission, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Anderson, Tackman & Company, PLLC
Certified Public Accountants

April 22, 2005



ANDERSON, TACKMAN & COMPANY, P.L.C.

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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Honorable Chairperson and Members
of the Board of Commissioners
County of Marquette, Michigan 49855

Compliance

We have audited the compliance of the County of Marquette, Michigan with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2004. The County of Marquette, Michigan's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the County of Marquette, Michigan's management. Our responsibility is to express an opinion on the County of Marquette, Michigan's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County of Marquette, Michigan's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the County of Marquette, Michigan's compliance with those requirements.

In our opinion, the County of Marquette, Michigan complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2004.

To the Honorable Chairperson and Members
of the Board of Commissioners
County of Marquette, Michigan 49855

Internal Control Over Compliance

The management of the County of Marquette, Michigan is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the County of Marquette, Michigan's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Marquette, Michigan, as of and for the year ended December 31, 2004, and have issued our report thereon dated April 22, 2005. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the County of Marquette, Michigan's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the audit committee, management, others within the organization, County Commission, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

April 22, 2005

Anderson, Tackman & Company, PLLC
Certified Public Accountants

County of Marquette, Michigan
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2004

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Pass-Through Grantor Number</u>	<u>Federal Expenditures</u>	
Department of Defense:				
<i>Passed through Air Force Conversion Authority:</i>				
Base Caretaker Grant - Fiscal 2003	Note D	N/A	\$ 28,108	@
Base Caretaker Grant - Fiscal 2004	Note D	N/A	1,127,184	@
Heating Conversion Grant	Note D	N/A	<u>586,313</u>	@
TOTAL DEPARTMENT OF DEFENSE			<u>1,741,605</u>	
Department of Homeland Security:				
<i>Passed through Dept. of Transportation:</i>				
Airport Security Grant	97.067	HSTS-04-A-LEF077	<u>103,305</u>	@
TOTAL DEPARTMENT OF HOMELAND SECURITY			<u>103,305</u>	
Department of Commerce:				
<i>Passed through Economic Development Administration:</i>				
Sawyer EDA Phase III - Construction	11.300	06-49-03008	153,504	@
Sawyer EDA Phase IV	11.300	06-49-02927	<u>657,970</u>	@
TOTAL DEPARTMENT OF COMMERCE			<u>811,474</u>	
Department of Housing & Urban Development:				
<i>Passed through MI State Housing Dev Authority:</i>				
Community Development Block Grant	14.228	MSC-2003-0743-HOA	181,673	
LinkMichigan Regional Telecommunications Planning Grant	14.228	MSC-202047-LMRP	<u>111,063</u>	
TOTAL DEPARTMENT OF HOUSING & URBAN DEVELOPMENT			<u>292,736</u>	
Department of Justice:				
<i>Passed through Office of Justice Programs:</i>				
Byrne Formula Grant	16.579	97-WE-VX-0130	26,466	
<i>Passed through Office of Drug Control Policy:</i>				
UPSET - Fiscal 2003	16.579	70768-4K00	<u>7,079</u>	
TOTAL DEPARTMENT OF JUSTICE			<u>33,545</u>	
Department of Agriculture:				
<i>Passed through Michigan Department of Education:</i>				
National School Lunch Breakfast	10.553		4,658	
National School Lunch Program	10.555		4,940	
Entitlement commodities	10.550		1,465	
Bonus commodities	10.550		<u>635</u>	
			11,698	
<i>Direct Award:</i>				
U.S. Rural Development Loan - Incubator Feasibility Study	10.766	N/A	19,850	
<i>Passed through MI Dept. of Community Health:</i>				
Food Program for Women, Infants & Children (WIC)	10.557	N/A	<u>151,294</u>	
TOTAL DEPARTMENT OF AGRICULTURE			<u>182,842</u>	

County of Marquette, Michigan
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2004

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Pass-Through Grantor Number</u>	<u>Federal Expenditures</u>
Department of Health and Human Services:			
<i>Passed through MI Dept. of Community Health:</i>			
Breast and Cervical Cancer	93.919	N/A	\$ 51,628
Supportive Housing	14.241	N/A	46,838
Family Planning	93.217	N/A	39,885
Family Planning Pregnancy Prevention MCHS	93.994	N/A	8,693
IAP	93.268	N/A	19,221
IAP - Immunization Representative	93.268	N/A	57,005
IAP - Immunization-Vaccine Federal Shipped	93.268	N/A	184,630
Medicaid Outreach and Advocacy	93.778	N/A	4,125
Local MCH	93.994	N/A	44,048
Case Management Services	93.994	N/A	7,821
Employee Wellness Preventative Health Block Grant	93.991	N/A	40,000
Title II HIV Care Grant	93.917	N/A	62,589
Title II HIV Care Grant	93.917	N/A	62,590
Bioterrorism-Focus A	92.283	N/A	81,592
Bioterrorism-Focus B	92.283	N/A	12,304
Bioterrorism-Focus E	92.283	N/A	35,099
Bioterrorism-Focus F	92.283	N/A	68,299
Bioterrorism-Focus G	92.283	N/A	59,220
<i>Passed through Pathways:</i>			
Alzheimer's Demonstration Project Grant	93.951	N/A	40,592
<i>Direct:</i>			
Special Program for the Aging, Title III, Parts B, D & F	13.633	N/A	45,315
<i>Passed through MI Family Independence Agency:</i>			
FOC - Cooperative Reimbursement	93.563	CSFOC-05-52001	443,002
PA - Cooperative Reimbursement	93.563	CS/PA-99-52002	130,722
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>1,545,218</u>
Corporation for National and Community Service:			
Retired & Senior Volunteer Programs	94.002	440-N182/04	<u>6,973</u>
TOTAL CORPORATION FOR NATIONAL AND COMMUNITY SERVICE			<u>6,973</u>
Federal Emergency Management Agency:			
<i>Passed through MI Department of Transportation:</i>			
FEMA - FLOOD	10.904	N/A	153,719
Emergency Services - FEMA	10.904	N/A	18,536
Emergency Services - Federal Grant	10.904	N/A	27,460
NCRS (Flood) Subgrantees	10.904	N/A	53,156
TOTAL FEDERAL EMERGENCY MANAGEMENT AGENCY			<u>252,871</u>
TOTAL EXPENDITURES OF FEDERAL FINANCIAL ASSISTANCE			<u>\$ 4,970,569</u>

@ Denotes a major program

COUNTY OF MARQUETTE, MICHIGAN
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2004

NOTE A – BASIS OF PRESENTATION:

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the County of Marquette, Michigan and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE B – OVERSIGHT AGENCY:

The Department of Defense is the current year's oversight agency for the single audit as determined by the agency providing the largest share of the County's federal financial assistance.

NOTE C – PASS-THROUGH GRANTOR'S NUMBER:

The Pass-Through grantor's number represents the Facility's provider I.D. number. Such other I.D. numbers were not available or provided by State administering agencies.

NOTE D – CFDA NUMBER:

N/A - No CFDA numbers were assigned to these programs according to the granting agent.

NOTE E – ROAD COMMISSION:

During the year ended December 31, 2004, the Road Commission received and expended \$643,232 in federal funding. Projects utilizing this aid were administered by the Michigan Department of Transportation and will be audited for compliance by the State. The State is responsible for including these projects in its schedule of expenditures of federal awards.

COUNTY OF MARQUETTE, MICHIGAN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2004

Section I - Summary of Auditors' Results

Financial Statements

- Type of auditors' report issued: Unqualified.
- Internal control over financial reporting:
 - No material weaknesses were identified.
 - Reportable conditions were reported (refer to Section II).
- Noncompliance items in the basic financial statements were identified (refer to Section II).

Federal Awards

- Internal Control over major programs:
 - No material weaknesses were identified.
 - No reportable conditions not considered to be material weaknesses were identified.
- Type of auditors' report issued on compliance for major programs: Unqualified.
- There were no audit findings that are required to be reported in accordance with Circular A-133, Section .510(a).

Major Programs

<u>CFDA #:</u>	<u>Name of Federal Program:</u>
N/A	Base Caretaker Grant (Department of Defense)
N/A	Heating Conversion Grant (Department of Defense)
11.300	Sawyer EDA (Department of Commerce)
97.067	Airport Security

- Dollar threshold used to distinguish between Type A and Type B programs: \$300,000.
- Auditee qualified as low-risk auditee? No.

COUNTY OF MARQUETTE, MICHIGAN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2004

Section II - Financial Statement Findings

- The following noncompliance item was noted:

04-1 Condition: The County was found to be in violation of the legal and contractual provisions of Public Act 621 whereby excesses of expenditures over appropriations existed in certain individual funds as enumerated in Footnote 21 of the financial statements.

Criteria: Internal controls should be in place to ensure expenditures do not exceed appropriations.

Effect: When expenditures exceed appropriations, the County is in violation of Public Act 621 and there is a potential negative impact on the financial position.

Recommendation: The County should monitor expenditures throughout the fiscal year to ensure expenditures do not exceed appropriations.

Management Response: Management concurs.

- The following reportable condition was noted:

04-2 Condition: The County had several funds which contained a cash and investment deficit at year-end.

Criteria: Cash advances and funding of accounts receivable are not being repaid in a timely fashion.

Effect: The advances become permanent working capital loans.

Recommendation: Management should monitor all advances such that they do not become permanent working capital loans.

Management Response: Management concurs.

Section III - Federal Award Findings and Questioned Costs

- There were no findings and questioned costs relating to the County's major programs.

COUNTY OF MARQUETTE, MICHIGAN
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2004

- There were no prior year findings and/or questioned costs identified.